

CENTRAL INTELLIGENCE AGENCY

OFFICE OF THE DEPUTY DIRECTOR

Executive Registry

84-2364/1

31 May 1984

The Honorable Robert C. McFarlane
Assistant to the President
for National Security Affairs
The White House
Washington, D.C. 20500

Mr. McFarlane:

The DDCI wanted you to be aware that
we have sent the attached unclassified
extracts from his recent testimony before
the SSCI to the Committee at its request.
John wanted you to be aware of this in
case the Senate goes public with it.

Sincerely,

[Redacted Signature]

Executive Assistant

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The Illicit Narcotics Threat

The scope of the narcotics problem we face is enormous. According to DEA and the National Institute on Drug Abuse, more than 40 million people in the United States are expected to spend up to \$80 billion this year to consume some 4 tons of heroin, as much as 61 tons of cocaine, and about 14,000 tons of marijuana. Nearly all of these drugs come from crops grown in foreign countries.

Latin America continues to produce most of the marijuana, all of the cocaine, and about a third of the heroin imported into the United States. In spite of heightened US interdiction activity, key segments of the drug industry have found alternate routes around these increased control efforts.

Colombia's cocaine and marijuana traffickers dominate the US market. Last year Colombia produced between 13,000 and 16,000 tons of marijuana and increased domestic coca cultivation to supply the equivalent of 20 percent of the cocaine consumed annually in the United States.

The results of two recent Colombian National Police operations against cocaine processing complexes in Southeast Colombia are unprecedented. The operation conducted 10-12 March in Caqueta Department resulted in the largest cocaine seizure ever, about 10,000 kilograms (with a retail value of more than \$1 billion in the United States), and the destruction of 10 laboratories. On 6 May, the National Police raided a cocaine processing complex in Vaupes Department and seized three kilograms of coca paste and a large quantity of precursor chemicals, including 94 containers of hydrochloric acid and 105 drums of ether.

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Other antinarcotics initiatives by the Colombian Government are also encouraging. As you know, the assassination earlier this month of Justice Minister Rodrigo Lara Bonilla has prompted an unprecedented crackdown on traffickers, but it remains to be seen if the crackdown will last only a few months or continue as a serious effort.

Opium output in Mexico was about 17 tons in 1983, and total 1984 opium production could be substantially more. Mexico's ability to keep up with increasing poppy cultivation has been limited by problems in the eradication program, particularly in the deployment of spray helicopters.

The Jamaican Government's recent crackdown on marijuana smuggling has stalled, in part because the constabulary lacks the manpower and resources to conduct sustained large-scale interdiction operations. Without an effective narcotics control program, marijuana shipments from Jamaica in 1984 could be substantially higher than the 1,750 tons shipped in 1983.

Bolivia and Peru continue to be the primary source countries for coca. The National Narcotics Intelligence Consumers Committee estimates that 70 to 80 tons of cocaine are produced each year from coca grown in Peru and Bolivia. Although Peru is still a minor exporter of cocaine compared to Colombia and Bolivia, cocaine is now being refined in Peru and smuggled via ship and aircraft to the United States, western Europe, and perhaps Asia and Australia.

In Belize, Prime Minister Price recently suspended a spray eradication program that destroyed 95 percent of last fall's marijuana crop. According to DEA, some 600 hectares of marijuana are currently under cultivation. If spray eradication is not resumed, Belize could overtake Jamaica--which DEA estimates produced about 1,750 tons in 1983--as the second largest supplier to the United States.

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Southwest Asia's Golden Crescent, which includes Pakistan, Afghanistan, and Iran, currently accounts for about half the heroin reaching the United States (Southeast Asia supplies about 20 percent and Mexico about 30 percent). Steady reductions in opium production in the Golden Crescent until this year were largely the result of an estimated drop in Pakistan from 530 to 800 tons in 1979 to 45 to 60 tons in 1983. President Zia's ban on opium production in 1979, adverse weather in 1980 and 1981, and a price drop largely due to oversupply contributed to the decline. Iran remains a net importer of opium for local consumption, but increased opium output during the past two years in Afghanistan has enabled traffickers to offset Pakistan's reduction. This will probably result in a net increase this year in regional production.

This year's opium harvest from Southeast Asia's Golden Triangle, where Thailand, Burma, and Laos meet, is expected to be larger than the 600 tons produced in the region last year, perhaps as much as 700 tons. Refineries that convert this opium to heroin are concentrated along the Thai-Burmese border.

Thailand has increased its use of military force during the past two and one-half years against the groups that refine nearly all of the heroin produced in the Golden Triangle. These Thai military initiatives have had an impact on narcotics trafficking in the region: new trafficking routes through India and Burma have been reported, and trafficking groups have begun to relocate refineries deeper inside Burma. Thai actions in the region have had a limited effect on opium production, however, and the continued resiliency of narcotics traffickers will keep Southeast Asia a major supplier of heroin to world markets.

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Thailand's limited crop-substitution program continues to be poorly enforced, and Bangkok has been slow to promote wider participation among farmers who find alternate crops financially attractive only when opium prices are severely depressed. Until recently, Thai eradication efforts have been limited, but a small-scale eradication campaign instituted earlier this year may signal a softening of attitudes on this issue.

Burma is estimated to grow more than 80 percent of the opium produced in Southeast Asia. Burma's narcotics control programs, such as its manual crop eradication projects, have had little impact to date; and its plans to expand narcotics control efforts have encountered problems such as high-level government and military corruption. During 1983, Bo Ni, the Minister of Home and Religious Affairs--who was responsible for narcotics suppression programs--and Brigadier General Tin 00 were both convicted of corruption and sentenced to life in prison.

Outlook for the Future--The outlook for the future is troublesome.

Although our crop estimates may not be precise, we are confident that worldwide production of opium, coca, and marijuana will increase in 1984 and that large, long-term declines in drug crop harvests are unlikely in most of the key producing countries in the foreseeable future. This will result in a continued increase in the quantity of drugs available for export to the United States. We cannot, however, project the precise impact of these increases on the availability, price, or purity of drugs in the United States.

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MEMORANDUM FOR: NIO for Narcotics

FROM: EA/DDCI

Executive Registry

84 - 2364

Dave,

The attached are fine with John. FYI, we are sending a copy of the unclassified version of the threat to the NSC so they will not be blind-sided if Congress goes public with it.



Date 31 May 1984

FORM 5-75 **101** USE PREVIOUS EDITIONS

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The Soviet Drug Problem

The Soviet Union does not have drug abuse or trafficking problems as severe as those found in more open societies in the West. Although still insignificant in comparison to alcoholism, narcotic abuse is nevertheless becoming a growing social problem. And as long as the Soviets maintain their heavy involvement in Afghanistan--a large drug producer--curtailing drug involvement will be a difficult task for the Soviet government..

Implicit official acknowledgment of a Soviet national level drug problem occurred in 1982, when a high level conference on combating narcotics was convened under the chairmanship of the USSR Procurator. Although no hard data exist, scattered reporting indicates that drug trafficking and abuse in the USSR takes three principal forms:

- Manufacturing and consumption of a variety of products derived from legal pharmaceuticals, a form of abuse more common in urban areas.
- Consumption of marijuana or hashish, both of which are available in Soviet cities. Usage evidently is more prevalent, however, in provinces adjacent to Southwest Asian hashish-producing countries and in areas of the Caucasus and Central Asia where small scale cannabis culture, a traditional activity, continues in defiance of an official ban.
- Production and consumption by natives of Central Asia and Transcaucasia of a wide variety of other drugs--including hallucinogens and opiates--derived from local plants.

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The access of Soviet citizens to drugs has been increased by troop involvement in Afghanistan, where both cannabis (largely hashish) and opiates are widely available on the open market. A variety of sources indicate that hashish smoking is prevalent among Soviet enlisted personnel who, unlike their officers, are denied alcohol. Consumption of opiates may also be a problem. Reportedly Afghans routinely carry drugs to bribe Soviet soldiers at roadblocks and checkpoints. There is also evidence that individuals peripheral to the insurgent forces distribute narcotics to Soviet troops in the hope of degrading their competence. So far we have insufficient information to assess the impact of drug consumption on Soviet military performance in Afghanistan.

Soviet troops rotating out of Afghanistan may also be contributing to an increased drug abuse problem throughout the Soviet Bloc. They are known to take small quantities of drugs with them into the USSR, and the Hungarians have accused recently transferred Soviet troops of contributing to a local upsurge in hashish consumption.

In all other respects, the USSR appears to have remained isolated from the international trafficking of illicit drugs. Drug trafficking by foreign nationals to the Soviet market apparently does not occur; and the only evidence that the USSR is being used as a trafficking corridor is DEA reporting that Afghans may be moving drugs across the Soviet border and into Iran to avoid increased security along the Afghan-Iranian border. Although Soviet border security is also tight, press reporting indicates that insurgents have carried out cross-border raids against Soviet customs installations. Consequently, it is possible that smugglers are indeed

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crossing the Soviet border on their way to Iran. There also have been some instances of Southeast Asian heroin smuggling to Europe on Aeroflot flights, but such cases probably are no more frequent than drug smuggling on other international flights.

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Interagency Narcotics Committees and Working Groups

INTELLIGENCE COMMUNITY

Critical Intelligence Problems Committee Narcotics Working Group

Purpose: To prepare a study assessing the adequacy of intelligence support to the US international narcotics control effort and to propose recommendations necessary to improve this support.

Members: CIA, State/INR, State/INM, NSA, FBI, Treasury, DIA, DEA, Customs, Coast Guard, INS and the military services

Subgroups: In preparing its report, "International Narcotics Coordination and Collection Study," the Narcotics Working Group formed the following subgroups which were disbanded when the report was published in February 1984:

- crop production
- host government attitudes
- trafficking organizations
- enforcement capabilities
- financial flows

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A separate subgroup of the Narcotics Working Group was formed to address security policies and legal issues involved in the utilization of intelligence by the Law Enforcement Community. This group has also concluded work and its report is now being drafted. Counsel for CIA, NSA and DOD continue to meet with Justice Department officials to discuss issues regarding the dissemination of intelligence to law enforcement agencies.

Note: As the DDCI noted in his 16 May testimony before the SSCI, the Narcotics Working Group will submit a final report to the DCI in September 1984 on four outstanding issues and the results of implementing recommendations in its February 1984 study.

NIO/Narcotics Monthly Warning and Forecast Meetings

Purpose: To bring together working level analysts and managers to share information on current narcotics developments and production matters as well as to identify collection gaps and forecast future trends. Issues considered are of interest to the Intelligence and Enforcement Communities as well as to policymakers.

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Attendees: CIA, NSA, State/INR, DEA, DIA, Coast Guard, FBI, Treasury,
Customs and the White House

NIO/Narcotics Monthly Core Group Meetings

Purpose: To ensure that interagency senior managers meet regularly to share information, solicit ideas for analytical initiatives, identify potential interagency problems and needs, and to coordinate ongoing research and other narcotics-related activities.

Attendees: CIA, NSA, DEA, Coast Guard and Customs

STATE DEPARTMENT

State/INM Bi-weekly Narcotics Intelligence Coordination Meeting

Purpose: To discuss intelligence on narcotics issues related to US foreign policy initiatives.

Attendees: State, CIA, and NSA

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Bureau and Interagency Monthly Coordination Meeting

Purpose: To promote information sharing concerning current policy issues regarding international narcotics.

Attendees: CIA, DEA, NIIDA, HHS, DOD, Coast Guard, NNBIS and the White House

International Narcotics Control Strategy Report Group

Purpose: To draft State's annual International Narcotics Control Strategy Report to Congress.

Members: State/INM, Justice, Defense, Treasury, HHS, AID and DEA

NATIONAL NARCOTICS BORDER INTERDICTION SYSTEM (NNBIS)

The Executive Board

Purpose: Responsible for overall management of NNBIS under the direction of the Vice President. The Board meets every few

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- months to review progress reports from NNBIS Regional Centers and to consider goals and policy objectives.

Members: Secretaries of State, Treasury, Defense and Transportation, the Attorney General, the Counselor to the President, the DCI and the Director of the White House Drug Abuse Policy Office

The Coordinating Board

Purpose: Meets irregularly to coordinate interagency support to NNBIS, to address operational and administrative problems and perform ad hoc tasks as directed by the Vice President or the Executive Board.

Members: Senior representatives of Executive Board members and their subordinate agencies and offices

Joint Surveillance Committee (JSC)

Purpose: As an interagency working group of the Coordinating Board, the JSC is preparing a report for the Vice President on the

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national capability to detect and interdict narcotics trafficking to the US and steps that can be taken to improve that capability. Its work should be complete by 30 June when the report is due.

Members: NNBIS, OMB, State/INM, CIA, White House, Coast Guard, DEA, Customs, FBI, INS, DOD, Treasury, and the FAA

DRUG ABUSE PREVENTION AND ENFORCEMENT

Cabinet Council on Legal Policy Working Group on Drug Supply Reduction

Purpose: Initially conceived as an interagency forum to promote cooperation, examine resource allocations, and make recommendations to the Cabinet Council. The Working Group's current task is to draft the 1983 Drug Law Enforcement Report to the Cabinet Council on Legal Policy. The report, which will probably be published next month, provides an overview of the Federal narcotics effort. The status of the Working Group, once the report is published, is unclear. The following task forces were formed under the working group to help draft the report:

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- Interagency Investigations
- Interdiction
- Federal/State/Local Cooperation
- Diplomatic Initiatives
- Legislative Initiatives

Members: Customs, DEA, IRS, Coast Guard, DOD, CIA, FBI, INS, Treasury, FAA, Agriculture, State/INM, Commerce, Interior, FCC, OMB, NSA, FDA, NIDA, EPA, HHS, IRS, and FLETC

Cabinet Council on Human Resources Working Group on Drug Abuse Health Issues

Purpose: To discuss drug-related national-level health issues.

Members: White House, DEA, DOD, DOE, NIDA, FDA, Alcohol Drug Abuse and Mental Health Administration, National Institute on Alcohol Abuse and Alcoholism, National Institute of Mental Health, Office of Juvenile Justice and Delinquency Prevention, OSHA, USIA, VA, ACTION, and State/INM

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Drug Abuse Policy Office Oversight Working Group

Purpose: To review federal policies and issues relative to drug abuse.

Members: The White House, DEA, FBI, Customs, Coast Guard, ATF, State/INM, NIDA, NIAAA, FDA, USIA, and ACTION

Interagency Committee for Drug Control

Purpose: To discuss drug-related regulatory issues common to all members.

Members: State/INM, DEA, NIDA, and FDA

National Narcotics Intelligence Consumers Committee (NIIC)

Purpose: To coordinate foreign and domestic collection, analysis, dissemination and evaluation of drug-related intelligence.

Members: DEA, State/INM, Coast Guard, Customs, DOD, FBI, INS, IRS, NIDA, Treasury, CIA, and the White House

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Subcommittee on Estimates

Purpose: Provides an interagency forum under the NIIC to review crop production estimates and to determine how they can be declassified for public dissemination.

Members: State/INM, CIA, and DEA

El Paso Intelligence Center (EPIC) Advisory Board

Purpose: To advise EPIC's member organizations on operational and policy issues and to solicit their contributions on these matters.

Members: DEA, INS, Coast Guard, FAA, Customs, FBI, IRS, US Marshal's Service, and ATF

Organized Crime Drug Enforcement Task Force Working Group

Purpose: To coordinate the Federal effort against drug trafficking by organized crime.

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Members: DEA, Justice, FBI, Customs, IRS, Coast Guard, US Marshal's
 - Service, and ATF

National Organized Crime Planning Council

Purpose: To review and assess the progress of federal efforts to
 dismantle established and emerging organized crime groups.

Members: DEA, FBI, Customs, Secret Service, IRS, US Postal Service
 and ATF

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Kintex Involvement in Narcotics Trafficking

Since at least the mid-1960s, Bulgarian officials have condoned and presumably encouraged the use of Bulgaria as a transshipping center for contraband including cigarettes, whiskey, arms, and narcotics. The multi-purpose state enterprise, Kintex, now appears to be the central coordinator for smuggling activities, for which it earns hard currency for the state. Smuggling operations have the active support of the Bulgarian government, but evidence about official support of narcotics trafficking is inconclusive. Narcotics smuggling, therefore, may reflect high level corruption rather than official policy.

Kintex is officially described as a state-owned Foreign Trade Organization (FTO) engaged in a variety of legitimate commercial activities. In fact, the Bulgarian state security service controls most of its operations. In its clandestine capacity, Kintex's charter includes directives to:

- collect items of science and technology interest in the West
- conduct discrete government-to-government military sales (this presumably includes sales to national liberation movements which are supported by the Bulgarian regime)
- control and profit from international smuggling through the Balkans by selling contraband to Arab and Turkish traffickers as well as providing a safehaven and other services to facilitate these smuggling ventures

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Kintex reportedly began supporting narcotics smugglers transiting Bulgaria around 1971. It levies transit fees and fines on smugglers who are not associated with it and resells drugs confiscated by Bulgarian Customs to smugglers who are associated with Kintex.

Bulgaria differentiates between smugglers working with Kintex and those attempting to work outside the system. Kintex associates may reside in and operate from Sofia or work outside Bulgaria and, for a hard currency fee, may transit the country without the usual customs search. Indeed, these traffickers reportedly are met at the border by Kintex representatives to ensure the smooth passage of their cargo.

When selling contraband, Kintex apparently works directly with only a few highly trusted individuals--perhaps as few as three or four. These brokers supply a network of an estimated 30 or 40 traffickers based in Sofia who in turn support loosely structured networks outside of the country. In return, the traffickers provide intelligence to their Bulgarian contacts on activities of couriers moving contraband through Bulgaria without Kintex approval. Narcotics traffickers, in particular, benefit from links with Kintex to ensure smooth operations.

While reporting strongly indicates that Kintex's role in the smuggling of arms, whiskey, and cigarettes is sanctioned by the Bulgarian government, we lack conclusive evidence that the top officials endorse the narcotics trafficking. Because there is no conclusive evidence of official sponsorship, narcotics trafficking may reflect personal or even bureaucratic corruption--albeit at very high levels--rather than officially endorsed government policy. However, the significant quantity of indirect evidence, the elaborate structure of Kintex, and the high level support of Kintex's other commercial

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endeavors strongly suggest an awareness and probable complicity of at least some of the ruling elite in Kintex's narcotics operations.

The official Bulgarian policy on drug trafficking appears to be one of denying that it exists while permitting it to continue. On several occasions, US officials have provided the Bulgarian Government with names of known traffickers in Bulgaria, but Sofia either denies their presence or insists on more evidence.

Bulgaria's cooperation in sharing information on narcotics trafficking over the last 10 years has also been unsatisfactory. Bulgaria provides data only belatedly, and information usually is not specific enough to be of use in followup investigations. Bulgarian officials claim that bureaucratic obstacles make it awkward to share information without a formal customs agreement.

The massive publicity given to Bulgaria's role in international smuggling in the last two years and US demarches have brought the issue to the direct attention of Bulgaria's most senior officials including Party Leader Todor Zhivkov. Concerned about its poor international image, Bulgaria is now trying to avoid further embarrassment and dispell charges that it provides a haven for international smugglers. According to several sources, there has been a noticeable decline in the most blatant activities of Sofia-based smugglers as many have moved their operations from Sofia and other Bulgarian resorts to more remote locales or even outside Bulgaria. We believe that Bulgarian authorities have ordered the smugglers residing in Sofia to restrain their operations at least until the international focus on the "Bulgarian connection" subsides. Kintex in particular has reportedly tried to maintain a low profile, probably dealing only with well established, trusted customers.

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We believe Kintex will resume normal activities if international pressure on the Bulgarian government eases.

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